

KEY POINTS

Number of dwelling units approved

- The seasonally adjusted number of dwelling units approved declined by 13.6% to 11,889 in September, following a rise of 10.7% in the previous month.
- On an annual basis, the pace of decline accelerated to -12.0% as compared to -5.3% in August. The annual rate of decline in dwelling approvals has now been in decline for eleven consecutive months.
- A 30.7% fall in the volatile private sector 'other dwellings' segment (which largely comprising apartments) drove the decline in total dwelling approvals during the month. Private house approvals rose by 1.1% in September to be 7.6% down over the year.
- The trend number of dwelling approvals fell by 0.7% in September, the eleventh consecutive month of contraction.

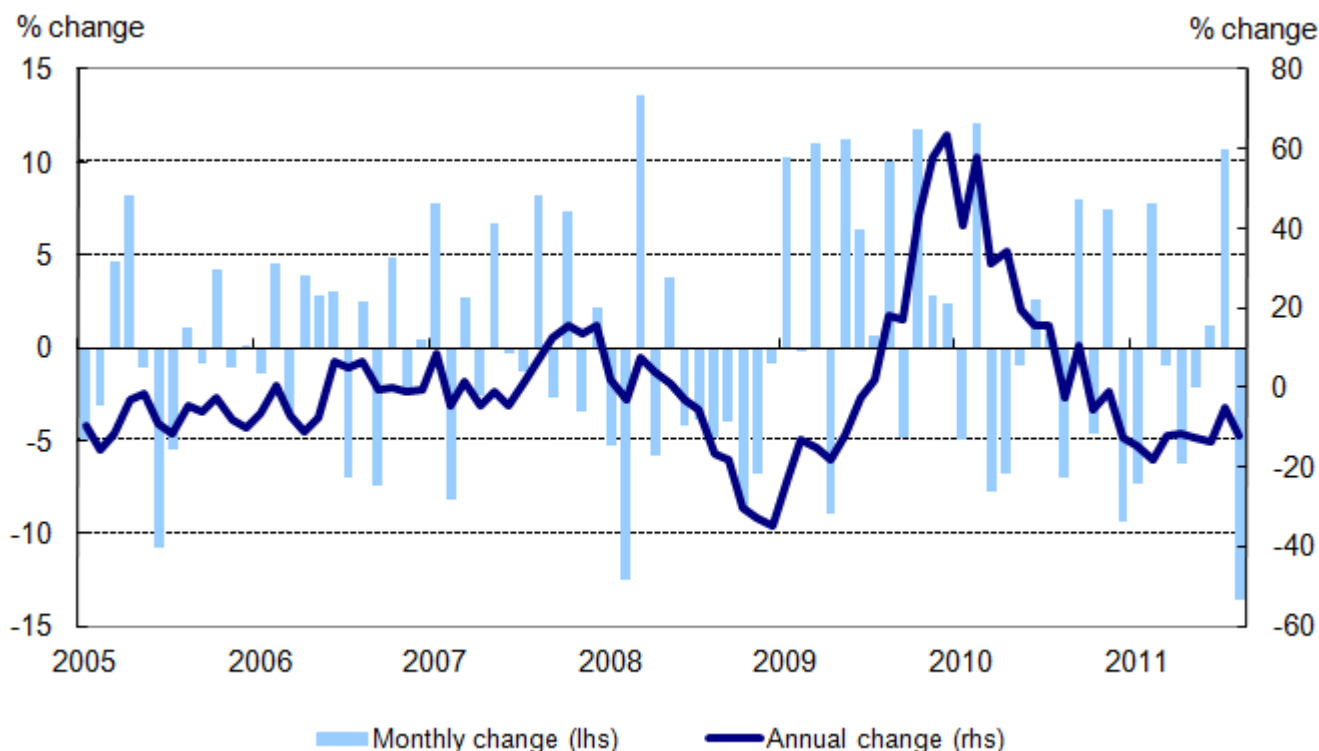
Value of building

- The seasonally adjusted value of total building approvals declined by 13.3% in September to be 13.8% lower on an annual basis.
- The seasonally adjusted value of new residential building approvals fell by 10.5%, while the value of approved alterations and additions fell by 2.2%.
- The seasonally adjusted estimate for the value of non-residential building approvals fell by 19.9%, offsetting the solid 19.5% growth of the previous month. The fall was largely driven by declines in approvals in public building categories of education and public sector health care facilities reflecting the diminishing number of fiscal stimulus projects. Significant falls were also registered in industrial premises, offices and hotels & accommodation.

The states

- By state, the number of dwelling units approved increased in trend terms in New South Wales (+2.6%), Western Australia (+0.5%) and Queensland (+0.1%) but decreased in Victoria (-2.9%) and South Australia (-1.9%).

Chart: Monthly & annual growth in number of dwelling units approved



Implications

- The decline in approvals during the month, which was more pronounced than market expectations of a 5.0% decline, was driven by a marked decline of 30.7% in the volatile high density apartments category (private sector other dwellings), and follows a rise in this category of 32.8% in the previous month.
- Despite registering growth in October, private sector housing approvals (a more reliable guide of conditions in the housing market), remain anchored at more than 20.0% below levels of two years ago reflecting on-going consumer and investor caution, and moderating house prices. This is consistent with Australian Industry Group's Performance of Construction Index (Australian PCI®) which points to a continuation of weak activity and levels of new orders in the house building sector.
- Housing approvals are likely to continue to face a range of headwinds, including subdued demand from first home buyers, restrictive credit conditions and stretched affordability. House prices have also been softer since the start of the year and this softness is expected to persist in coming months. However, the housing shortage and yesterday's interest rate cut is likely to limit future weakness in both housing values and conditions in the house building sector.